Statement of
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Chairman Mica, Representative Costello, and distinguished members of the Subcommittee on Aviation, thank you for the invitation to testify on the U.S. Airline pension issue. I am honored to be here. Throughout my testimony, I will be presenting my personal views, which are not necessarily those of my employer, Bear Stearns & Co.

Summary & Introduction

The U.S. airline industry is in miserable financial condition, and it is destroying shareholder value. Since 2000, the ten largest (in terms of traffic) publicly traded airlines have lost $10 billion in market capitalization, and the airline index (XAL) is down 64% vs. 20% for the S&P 500. I estimate that the industry has lost $30 billion since 2000, and balance sheets have weakened such that debt-to-equity ratios have increased to an aggregate 300% from 80% while net-debt-to-total-invested-capital ratios have risen to over 100% from 67%.

The airlines have evolved into what is virtually a commodity-equivalent business with little to no pricing power. The growth of low-cost carrier market share has driven a structural change in the airlines' ability to price discriminate, and the legacy cost carriers have not moved fast enough to change their high fixed cost structures.

Through the Darwinian forces of the free market, the industry appears to be ripe for a period of consolidation. If oil prices remain high, that may occur regardless of whether or not more lenient standards for pension funding are applied to the airline industry.

Nevertheless, while there are many reasons for the industry's financial weakness, the defined benefit pension plan funding problem is the focus of my comments this afternoon. I will cover three basic questions:

1) What are the financial implications of the airlines' funding deficits?

2) How would more lenient pension funding standards affect the airlines?

3) What would a change in pension funding standards for the airline industry mean for shareholders?

1) What are the financial implications of the airlines' funding deficits?

Under ERISA (Employee Retirement Income Security Act) guidelines, we estimate that the airlines' $14 billion defined benefit pension funding shortfall will require $1.2 billion in cash contributions in 2005. This is a significant number, but it is only meaningful when considered in light of the airlines' ability to make the contributions based on their operating cash flows and unrestricted cash balances. Cash flow, of course, can be rather volatile as it is dependent upon oil prices, labor costs, and the revenue environment, so in this report, I provide a sensitivity analysis with different assumptions for oil prices. Each $1/bbl move in oil costs the airlines about $450 million annually.

For 2005, the $1.2 billion in cash contributions represent about 90% of our operating cash flow forecast with oil at $50/bbl, and 13% of the combined unrestricted cash balances of the legacy cost airlines. Considering the airlines' other obligations, such as principal debt maturities and capital expenditures, I estimate the legacy cost airlines could potentially burn about $4.3 billion in cash this year.

This is awful, but matters do not improve next year. With the expiration of the Pension Funding Equity Act of 2004 at the end of the year, I estimate that the required cash contributions could increase 100%, to $2.4 billion in 2006, representing 60% of operating cash flow and 30% of projected unrestricted cash with oil at $50/bbl. To provide some perspective on the importance of fuel costs, I estimate that, with oil costing $40/bbl, pension contributions would consume 38% of operating cash flow, while, with oil costing $60/bbl, the contributions would consume 150% of operating cash flow. *(Absent a replacement of PFEA 2004, pension discounting next year would revert to the 30-year Treasury yield, and current-year DRC [deficit reduction contribution] requirements would be due in full.)*

When examining the airlines individually, my analysis suggests that pension-related risk among legacy cost carriers operating outside of Chapter 11 differs substantially. Considering the airlines' ability to make the required pension contributions, in descending order, I rank the risk as follows: Delta Air Lines, Northwest Airlines, Continental Airlines, AMR Corp., and Alaska Airlines.

All told, if air fares don't increase (thereby helping airlines' yield) and oil remains at current levels, without more lenient pension funding requirements, I believe both Delta Air Lines and Northwest Airlines face near-term bankruptcy risk, and others could be at risk longer term.

Exhibit 1. Pension Summary — Cash Impact ($ in millions, except per share data)

($ in millions), except 2004 ABO per FTE	ALK	AMR	CAL [1]	DAL [2]	NWAC	Total/ Average
Plan Type	DB/DC	DB/DC	DB/DC	DB/DC	DB Plan	
Dec-04						
Plan Assets (GAAP)	607	7,335	1,281	6,842	5,425	21,490
Plan Benefit Obligations (PBO) (GAAP)	910	10,022	2,863	12,140	9,245	35,180
PBO Pension Overfunded (Underfunded)	(303)	(2,687)	(1,582)	(5,298)	(3,820)	(13,690)
ABO Pension Overfunded (Underfunded)	(161)	(1,823)	(1,131)	(5,239)	(3,565)	(11,919)
Post Retirement Obligations (APBO)	(76)	(3,152)	NA	(1,835)	(921)	(5,984)
2004 Assumed rate of return on plan assets	8.00%	9.00%	9.00%	9.00%	9.50%	8.90%
2004 Assumed discount rate for obligations	5.75%	6.00%	5.75%	6.00%	5.90%	5.88%
2004 Asset Allocation: Equity/Fixed Income (remainder=other)	71%/29%	52%/38%	66%/28%	50%/28%	74%/20%	63%/29%
2005E Revenue	2,901	19,797	10,703	15,794	11,873	61,068
2005E Operating Cash Flow (oil at $50/bbl Base Assumption)	306	896	270	-157	48	1,362
2006E Revenue	3,004	20,489	11,359	16,761	12,436	64,050
2006E Operating Cash Flow (oil at $50/bbl Base Assumption)	343	1,528	673	513	918	3,976
2006E Operating Cash Flow (oil at $40/bbl)	407	2,336	914	1,189	1,379	6,225
2004 GAAP PBO Funding Status	67%	73%	45%	56%	59%	61%
2004 GAAP ABO Funding Status	79%	80%	53%	57%	60%	66%
2004 ABO per 2004 FTEs	12,448	20,099	29,422	75,763	90,616	47,569
2004 P&L DB Pension Expense(3)	78	427	293	549	444	1,791
2005E P&L DB Pension Expense(3)	89	380	196	440	530	1,636
2005E DB Pension CASM	0.34¢	0.20¢	0.22¢	0.28¢	0.57¢	0.29¢
2005E After-Tax EPS Impact	(2.12)	(1.51)	(1.90)	(2.22)	(3.93)	(2.34)
2004 DB Expense	78	427	293	549	444	1,791
2004 Defined Contribution & Profit Sharing Expense	25	163	30	150	NA	368
2004 Retirement (Healthcare) Costs	9	264	NA	76	98	447
2004 DB CASM	0.31¢	0.23¢	0.35¢	0.38¢	0.49¢	0.34¢
2004 DC & Profit Sharing CASM	0.10¢	0.09¢	0.04¢	0.10¢	NA	0.07¢
2004 OPEB CASM	0.04¢	0.14¢	NA	0.05¢	0.11¢	0.08¢
2004 Total DB, DC, OPEB CASM	0.44¢	0.46¢	0.38¢	0.53¢	0.59¢	0.49¢
Unrestricted Cash Balance (3/31/05)	764	3,017	1,380	1,815	2,132	9,108
2004 DB Pension Cash Contributions	49	467	0	455	253	1,224
2005E DB Pension Cash Contributions(3)	58	310	136	285	420	1,209
2006E DB Pension Cash Contributions(4) Plan Freeze and 20yr Amort.	1	30	31	150	112	325
2006E DB Pension Cash Contributions(4) Bush Proposal (7yr Amort.)	62	269	248	400	644	1,623
2006E DB Pension Cash Contributions(4) PFEA expires (5yr Amort.)	66	345	330	700	930	2,370
2005E After-Tax Projected Pension Cash per Share Impact	(1.38)	(1.24)	(1.32)	(1.44)	(3.11)	(1.70)
2005E Pension Cash Contribution to 1Q:05 Cash Balance	8%	10%	10%	16%	20%	13.3%
2005E Pension Cash Contribution to 2005E Op. Cash Flow	19%	35%	50%	-181%	883%	88.7%
2005E Pension Cash + Debt Mat.+ Net Capex to 2005E Op. Cash Flow	92%	194%	373%	-900%	2567%	415.9%
2006E (20yr Amort.) Pension Cash Contribution to 2006E Op. Cash Flow	0%	2%	5%	29%	12%	8.2%
2006E (7yr Amort.) Pension Cash Contribution to 2006E Op. Cash Flow	18%	18%	37%	78%	70%	40.8%
2006E (5yr Amort.) Pension Cash Contribution to 2006E Op. Cash Flow	19%	23%	49%	137%	101%	59.6%
2006E (20yr Amort.) Pension + Debt Mat. + Net Capex to '06E Op. Cash Flow	57%	103%	110%	276%	145%	132.1%
2006E (7yr Amort.) Pension + Debt Mat. + Net Capex to '06E Op. Cash Flow	75%	118%	142%	324%	203%	164.7%
2006E (5yr Amort.) Pension + Debt Mat. + Net Capex to '06E Op. Cash Flow	76%	123%	154%	383%	234%	183.5%

Note: DB = defined benefit pensions where employer bears investment risk and DC = defined contribution pensions plan such as 401 (k) where the employee assumes the investment risk. PBO= projected benefit obligation (assumes future wage inflation); ABO= accumulated benefit obligation (pension obligations already accrued, if a plan were frozen this would be GAAP analogous amount); APBO= accumulated post retirement benefits obligation; OPEB includes:–Postemployment Health Care Benefits: medical, dental, vision, hearing, and other health-related benefits whether provided separately or through the pension plan–Other benefits: Life insurance, disability, long-term care, etc., when provided separately from a defined benefit pension plan. Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.

1) Continental's 2005E required pension contribution is $266 million; however, in the table above, which focuses on cash we exclude $130 million in stock contributed to the plans year-to-date. Similarly, pension expense is $235 million, though we exclude $43 million in curtailment charges.

2) Delta froze its DB plan as of 12/31/04, eliminating future service accruals, though wage increases will still be factored into benefit calculations. 2004 pension expense excludes curtailment charges.

3) Based on company 2004 10k, 1Q:05 10Q data, 1Q:05 conference calls, company guidance, and Bear Stearns estimates.

4) Bear Stearns' Forecasts: 2006 Forecasted pension cash contributions assume expiration of the Pension Funding Equity Act of 2004. Three scenarios (assuming an even amortization repayment schedule): 1) assumes plan freezes and a 20-year DRC amortization, 2) assumes a 7-year DRC amortization (Bush proposal), and 3) assumes PFEA expires and a 5-year DRC amortization.

Actual company results may vary considerably. Please see our Sept. 2003 Airline Pension report for more information.

Note: Firms may be able to contribute limited amounts of stock in certain circumstances instead of cash. In addition, firms may apply for IRS waivers that could allow them to spread payments out over five or so years. Furthermore, interest rate changes, asset returns, and legislative changes could have significant impacts on these forecasts.

Sources: Bear Stearns & Co. Inc. estimates; company reports; company guidance.

Source: Bear, Stearns & Co. Inc. estimates; company reports; company guidance; First Call.

While ERISA and the Internal Revenue Code rules dictate funding periods ranging from as few as three to as many as 30 years, after surveying our companies and for purposes of this report, we assume for simplifying reasons that deficit reduction contributions are repaid in five years under current law and would continue to be due in this time frame should PFEA expire without replacement.

2) How would more lenient pension funding standards affect the airlines?

The longer the period of amortization of pension funding requirements, the lower the cash burn rates and the lower the probability of bankruptcies at the legacy cost airlines.

When viewed in the context of operating cash flow, I believe that most airlines will survive outside of bankruptcy even without any change to pension law given that many carriers have defined contribution plans rather than defined benefit plans. However, assuming oil at $50/bbl and no change to labor costs, I estimate that both Delta and Northwest's operating cash flow could be insufficient to fund their pension plans and also meet debt obligations and capital expenditures in 2006 without more lenient pension funding requirements.

I estimate that pension cash contributions for the legacy airlines would fall 87% to $300 million from $2.4 billion in 2006 if the amortization period for funding pension obligations were to change from four years to the 25 years which has been proposed in Representative Price's bill — the Employee Pension Preservation and Taxpayer Protection Act of 2005 (the companion to Senator Isakson's bill — the Employee Pension Preservation Act of 2005). Under this scenario, I believe bankruptcy risk declines significantly, even for the weakest legacy cost airlines — Delta and Northwest.

On the other hand, using the seven-year amortization period that appears in both the Bush Administration proposal and Representative Boehner's (R. Ohio) bill (Pension Protection Act of 2005), I estimate that the pension cash contributions would fall 32% to $1.6 billion from $2.4 billion. Under this scenario, my cash-burn analysis suggests that Delta and Northwest would likely file for bankruptcy.

If both Delta and Northwest were to file for Chapter 11 and execute distressed terminations of their defined benefit pension plans, the risk of eventual bankruptcy at American Airlines and Continental Airlines increases as they will have a significant cost disadvantage. In combination with the recent terminations of pension plans at United Airlines and US Airways, this would result in 45% of the industry's capacity operating with the advantage of having eliminated defined benefit pension plans.

That said, if either Delta or Northwest is unable to lower other costs, refinance principal debt maturities in 2006, or raise funds through other means, even a 20-year or longer amortization may not be enough to prevent bankruptcy. However, I believe that more lenient funding requirements would likely make it easier for the airlines, and for Delta and Northwest in particular, to attract funds from the capital markets, which would thereby reduce the probability of Chapter 11 filings.

Exhibit 2. Pension Catch-up Payment (Deficit Reduction Contribution) — sensitivity to Varying Amortization Periods

Key Assumptions

1. GAAP ABO approximates ERISA Current Liability.
2. GAAP ABO Funding Deficit is comprised solely of unfunded new liabilities.
3. Asset returns and interest rates are neutral during 2005.
4. Excludes any assumptions about 2006 normal costs.

Illustration of Straight-line Amortization Schedules (per year contribution)

Based on GAAP Pension Disclosures

(US$ millions)	ALK	AMR	CAL	DAL	NWAC	Total
2004 Plan Assets (GAAP)	$607	$7,335	$1,281	$6,842	$5,425	$21,490
2004 Plan Accumulated Benefit Obligation (GAAP)	$768	$9,158	$2,412	$12,081	$8,990	$33,409
2004 ABO Funding Level	79%	80%	53%	57%	60%	64%
2004 ABO Shortfall	(161)	(1,823)	(1,131)	(5,239)	(3,565)	(11,919)
2005E DB Contribution	$58	$310	$266	$285	$420	$1,339
2005E YE ABO 90% Funding Gap	($26)	($597)	($624)	($3,746)	($2,246)	($7,239)
2006E DRC Funding Requirement Based on Above						
4 years 2006-2009 (absent new law)	($7)	($149)	($156)	($936)	($562)	($1,810)
7 years 2006-2012 (Bush/Rep.Boehner proposal)	($4)	($85)	($89)	($535)	($321)	($1,034)
15 years 2006-2020	($2)	($40)	($42)	($250)	($150)	($483)
20 years 2006-2025	($1)	($30)	($31)	($187)	($112)	($362)
25 years 2006-2030 (Senate bill)	($1)	($24)	($25)	($150)	($90)	($290)

Note: Assumes 2004 ABO shortfall is equal to 2004 current liability funding level and funding level rises to 90% over stated period.
Note: 2004 likely reduced funding gaps a touch as assets rose, offset by declining interest rates.
Note: CAL reached new labor agreements in March, which could reduce future funding obligations.
Note: Includes estimated 2005 DB contributions and assumes no interest rate impact.
Note: the four year amortization is an example of the pension funding timing for deeply underfunded plans under the present pension law.
Note: Delta disclosed that its current liability funding deficit at July 1, 2004 (its most recent data) was $2.6 billion and its plans were 75% funded.
Source: Bear Stearns estimates, company reports.

3) What would a change in pension funding standards for the airline industry mean for shareholders?

A special exception to the funding requirements under ERISA for the airlines is not enough in itself to cure the ills of the airline industry and halt the destruction of shareholder value. Although shareholders and creditors of the airlines that face the most severe liquidity problems, particularly Delta Air Lines and Northwest Airlines, could benefit in the near term from more lenient pension funding requirements, such a change only extends the window of opportunity for these companies to remedy the inefficiencies in their businesses and reduce their operating costs so they can begin the hard work of repairing their terribly distressed balance sheets. Even excluding the pension issue, the operating cost structures of these companies are uncompetitive.

What's more, if extending a life line in the form of pension relief serves to delay the reduction of other costs or keeps companies afloat that would otherwise shrink in

Chapter 11 or via Chapter 7, thereby wringing some capacity out of the system, the result may well be disadvantageous to airlines that already have defined contribution plans or have enough operating cash flow to cover their required defined benefit pension contributions. Of course, Chapter 11 itself has been harmful to the overall welfare of the airline industry because it sets up a lopsided playing field and does not necessarily result in consolidation or a reduction of supply.

Ultimately, I believe shareholders will benefit most if the natural forces of the free market determine the fate of the airline industry. Under such conditions, making decisions on how to invest is an easier process. However, without change to the bankruptcy laws and antitrust hurdles, which would allow for the consolidation of weak businesses, a laissez faire policy on pensions will do little to improve conditions for shareholders. Accordingly, barring changes in other areas of law that would provide for a more efficient marketplace, I believe shareholders will benefit from a change in pension law that allows airlines to freeze defined benefit pension plans and amortize their required cash contributions over a period well beyond the seven years noted in the Bush proposal and the Boehner bill and closer to the 25-year period noted in the Isakson (S. 861)/Price (H.R. 2106) bills. Of course, if oil prices continue on their current trajectory, it may not matter.

Thank you.

Appendix: Cash Burn Sensitivities:

Scenario: NO Debt Refinancing

As of 06/03/05

Cash Flow/Burn for 2Q-4Q:2005E (US$ mn)	AMR[2]	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[3]
2Q-4Q:2005E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$1,766	$693	$862	$745	$140	$775	$37	$330	$155	$36
Operating CF (after tax) $40/bbl	$1,476	$566	$616	$562	$126	$763	$22	$306	$113	$28
Operating CF (after tax) $45/bbl	$1,186	$439	$371	$378	$113	$751	$9	$283	$71	$21
Operating CF (after tax) $50/bbl (Base Case)	$896	$312	$125	$194	$100	$740	($1)	$259	$29	$13
Operating CF (after tax) $55/bbl	$606	$186	($121)	$10	$86	$728	($10)	$236	($13)	$6
Operating CF (after tax) $60/bbl	$316	$59	($367)	($173)	$73	$716	($20)	$212	($55)	($0)
Operating CF (after tax) $65/bbl	$26	($68)	($613)	($357)	$60	$704	($29)	$189	($97)	($6)
Cash Obligations										
Net Capex	$361	$169	$420	$150	$56	$148	$61	$68	$30	$26
DB Pension Contributions[4]	$172	$136	$95	$336	NA	NA	NA	$39	NA	NA
Cash From Financings	$0	($529)	$0	$0	$0	$0	$0	$0	($13)	$0
Debt Maturities	$675	$563	$500	$328	$79	$38	$12	$45	$67	$13
Liquidity										
Unrestricted Cash Balance at Calendar 1Q:05	$3,017	$1,380	$1,815	$2,132	$616	$1,908	$364	$764	$254	$175
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,458	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2Q-4Q:2005E Cash Flow (Burn) Oil @ $35/bbl	$557	$354	($153)	($69)	$4	$589	($35)	$179	$72	($3)
Cash Flow (Burn) per Day $35/bbl	$2.0	$1.3	($0.6)	($0.3)	$0.0	$2.2	($0.1)	$0.7	$0.3	($0.0)
2005E End of Year Unrestricted Cash $35/bbl	$3,574	$1,734	$1,662	$2,063	$620	$2,497	$329	$942	$325	$172
Mth of Cash Left with oil at $35/bbl from 1Q:05 end to threshold[5]	CF Pos.	CF Pos.	9+	9+	CF Pos.	CF Pos.	9+	CF Pos.	CF Pos.	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $40/bbl	$267	$227	($399)	($253)	($9)	$577	($51)	$155	$30	($11)
Cash Flow (Burn) per Day $40/bbl	$0.7	$0.6	($1.1)	($0.7)	($0.0)	$1.6	($0.1)	$0.4	$0.1	($0.0)
2005E End of Year Unrestricted Cash $40/bbl	$3,284	$1,607	$1,416	$1,879	$606	$2,485	$313	$919	$283	$164
Mth of Cash Left with oil at $40/bbl from 1Q:05 end to threshold[5]	CF Pos.	CF Pos.	7	9+	9+	CF Pos.	9+	CF Pos.	CF Pos.	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $45/bbl	($22)	$100	($644)	($436)	($23)	$565	($63)	$132	($12)	($18)
Cash Flow (Burn) per Day $45/bbl	($0.1)	$0.3	($1.8)	($1.2)	($0.1)	$1.5	($0.2)	$0.4	($0.0)	($0.0)
2005E End of Year Unrestricted Cash $45/bbl	$2,995	$1,480	$1,171	$1,696	$593	$2,473	$301	$895	$241	$157
Mth of Cash Left with oil at $45/bbl from 1Q:05 end to threshold[5]	9+	CF Pos.	4	9+	9+	CF Pos.	9+	CF Pos.	9+	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	($312)	($27)	($890)	($620)	($36)	$554	($73)	$108	($54)	($26)
Cash Flow (Burn) per Day $50/bbl	($0.9)	($0.1)	($2.4)	($1.7)	($0.1)	$1.5	($0.2)	$0.3	($0.1)	($0.1)
2005E End of Year Unrestricted Cash $50/bbl	$2,705	$1,353	$925	$1,512	$580	$2,462	$291	$872	$199	$149
Mth of Cash Left with oil at $50/bbl from 1Q:05 end to threshold[5]	9+	9+	3	9+	9+	CF Pos.	9+	CF Pos.	9	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $55/bbl	($602)	($153)	($1,136)	($804)	($49)	$542	($82)	$85	($96)	($33)
Cash Flow (Burn) per Day $55/bbl	($1.7)	($0.4)	($3.1)	($2.2)	($0.1)	$1.5	($0.2)	$0.2	($0.3)	($0.1)
2005E End of Year Unrestricted Cash $55/bbl	$2,415	$1,227	$679	$1,328	$566	$2,450	$282	$848	$157	$142
Mth of Cash Left with oil at $55/bbl from 1Q:05 end to threshold[5]	9+	9+	2	9+	9+	CF Pos.	9+	CF Pos.	5	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $60/bbl	($892)	($280)	($1,382)	($988)	($63)	$530	($92)	$61	($139)	($39)
Cash Flow (Burn) per Day $60/bbl	($2.4)	($0.8)	($3.8)	($2.7)	($0.2)	$1.5	($0.3)	$0.2	($0.4)	($0.1)
2005E End of Year Unrestricted Cash $60/bbl	$2,125	$1,100	$433	$1,144	$553	$2,438	$272	$825	$115	$136
Mth of Cash Left with oil at $60/bbl from 1Q:05 end to threshold[5]	9+	9+	2	9+	9+	CF Pos.	9+	CF Pos.	3	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $65/bbl	($1,182)	($407)	($1,628)	($1,171)	($76)	$518	($101)	$38	($181)	($45)
Cash Flow (Burn) per Day $65/bbl	($3.2)	($1.1)	($4.5)	($3.2)	($0.2)	$1.4	($0.3)	$0.1	($0.5)	($0.1)
2005E End of Year Unrestricted Cash $65/bbl	$1,835	$973	$187	$961	$539	$2,426	$263	$801	$73	$129
Mth of Cash Left with oil at $65/bbl from 1Q:05 end to threshold[5]	9+	8	2	8	9+	CF Pos.	9+	CF Pos.	3	9+

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.

Assumes crude price of $50/bbl in 2Q-4Q:05. Incorporates hedge positions.

(2) Assumes AMR has to repurchase $104mn facilities bond due in 4Q:05.

(3) Cash burn analysis is for nine-month ended Dec 2005 (base assumption oil at $50/bbl).

(4) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.

(5) Where months of cash left exceed 9 months, please see 2006.

Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates

As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,

UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),

and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: NO Debt Refinancing & PFEA Expiration (5-Yr Amortization)
As of 06/03/05

Cash Flow/Burn 2006E (US$ millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[5]
2006E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$2,713	$1,045	$1,526	$1,633	$252	$1,095	$99	$439	$108	$50
Operating CF (after tax) $40/bbl	$2,336	$914	$1,189	$1,379	$226	$1,058	$73	$407	$72	$39
Operating CF (after tax) $45/bbl	$1,932	$788	$850	$1,124	$200	$1,021	$47	$376	$36	$27
Operating CF (after tax) $50/bbl (Base Case)	$1,528	$666	$512	$870	$174	$985	$21	$344	$0	$16
Operating CF (after tax) $55/bbl	$1,125	$493	$173	$615	$148	$948	($5)	$312	($35)	$4
Operating CF (after tax) $60/bbl	$721	$319	($165)	$361	$122	$911	($30)	$281	($71)	($7)
Operating CF (after tax) $65/bbl	$317	$146	($503)	$106	$96	$874	($54)	$249	($107)	($19)
Cash Obligations										
Net Capex	$210	$175	$530	$228	$188	$426	$30	$138	$59	$35
DB Pension Contributions[2]	$345	$330	$700	$930	NA	NA	NA	$66	NA	NA
Debt Maturities	$1,328	$533	$733	$994	$108	$604	$15	$57	$101	$18
Liquidity										
Estimated Unrestricted Cash Balance at Calendar 4Q:05[3]	$2,705	$1,353	$925	$1,512	$580	$2,462	$291	$872	$199	$149
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,460	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2006E Cash Flow (Burn) Oil @ $35/bbl	$830	$7	($437)	($519)	($44)	$65	$55	$179	($52)	($3)
Cash Flow (Burn) per Day $35/bbl	$2.3	$0.0	($1.2)	($1.4)	($0.1)	$0.2	$0.1	$0.5	($0.1)	($0.0)
2006E End of Year Unrestricted Cash $35/bbl	$3,535	$1,361	$488	$993	$535	$2,527	$346	$1,050	$147	$146
Mth of Cash Left with oil at $35/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	10	116	CF Pos.	CF Pos.	CF Pos.	Ch. 11 Risk	338
2006E Cash Flow (Burn) Oil @ $40/bbl	$453	($124)	($774)	($773)	($70)	$29	$29	$147	($88)	($14)
Cash Flow (Burn) per Day $40/bbl	$1.2	($0.3)	($2.1)	($2.1)	($0.2)	$0.1	$0.1	$0.4	($0.2)	($0.0)
2006E End of Year Unrestricted Cash $40/bbl	$3,158	$1,230	$151	$739	$509	$2,490	$320	$1,019	$111	$135
Mth of Cash Left with oil at $40/bbl from YE 2005 to threshold[4]	CF Pos.	33	Ch. 11 Risk	6	73	CF Pos.	CF Pos.	CF Pos.	Ch. 11 Risk	63
2006E Cash Flow (Burn) Oil @ $45/bbl	$49	($250)	($1,113)	($1,028)	($96)	($8)	$3	$115	($124)	($26)
Cash Flow (Burn) per Day $45/bbl	$0.1	($0.7)	($3.0)	($2.8)	($0.3)	($0.0)	$0.0	$0.3	($0.3)	($0.1)
2006E End of Year Unrestricted Cash $45/bbl	$2,754	$1,104	NM	$484	$483	$2,454	$294	$987	$75	$123
Mth of Cash Left with oil at $45/bbl from YE '05 to threshold[4]	CF Pos.	16	Ch. 11 Risk	5	54	2,524	CF Pos.	CF Pos.	Ch. 11 Risk	35
2006E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	($355)	($372)	($1,451)	($1,282)	($122)	($45)	($23)	$84	($160)	($37)
Cash Flow (Burn) per Day $50/bbl	($1.0)	($1.0)	($4.0)	($3.5)	($0.3)	($0.1)	($0.1)	$0.2	($0.4)	($0.1)
2006E End of Year Unrestricted Cash $50/bbl	$2,350	$982	NM	$230	$457	$2,417	$268	$955	$40	$112
Mth of Cash Left with oil at $50/bbl from YE 2005 to threshold[4]	41	11	Ch. 11 Risk	4	42	458	98	CF Pos.	Ch. 11 Risk	24
2006E Cash Flow (Burn) Oil @ $55/bbl	($758)	($545)	($1,790)	($1,537)	($148)	($82)	($49)	$52	($195)	($49)
Cash Flow (Burn) per Day $55/bbl	($2.1)	($1.5)	($4.9)	($4.2)	($0.4)	($0.2)	($0.1)	$0.1	($0.5)	($0.1)
2006E End of Year Unrestricted Cash $55/bbl	$1,946	$808	NM	NM	$432	$2,380	$242	$924	$4	$100
Mth of Cash Left with oil at $55/bbl from YE 2005 to threshold[4]	19	8	Ch. 11 Risk	3	35	252	47	CF Pos.	Ch. 11 Risk	18
2006E Cash Flow (Burn) Oil @ $60/bbl	($1,162)	($719)	($2,128)	($1,791)	($174)	($118)	($74)	$20	($231)	($60)
Cash Flow (Burn) per Day $60/bbl	($3.2)	($2.0)	($5.8)	($4.9)	($0.5)	($0.3)	($0.2)	$0.1	($0.6)	($0.2)
2006E End of Year Unrestricted Cash $60/bbl	$1,542	$635	NM	NM	$406	$2,343	$217	$892	NM	$89
Mth of Cash Left with oil at $60/bbl from YE 2005 to threshold[4]	12	6	Ch. 11 Risk	3	30	174	31	CF Pos.	Ch. 11 Risk	15
2006E Cash Flow (Burn) Oil @ $65/bbl	($1,566)	($892)	($2,466)	($2,046)	($200)	($155)	($99)	($11)	($267)	($72)
Cash Flow (Burn) per Day $65/bbl	($4.3)	($2.4)	($6.8)	($5.6)	($0.5)	($0.4)	($0.3)	($0.0)	($0.7)	($0.2)
2006E End of Year Unrestricted Cash $65/bbl	$1,138	$461	NM	NM	$380	$2,307	$192	$860	NM	$77
Mth of Cash Left with oil at $65/bbl from YE 2005 to threshold[4]	9	5	Ch. 11 Risk	2	26	132	23	607	Ch. 11 Risk	12

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.

Assumes crude price of $50/bbl in 2006. Incorporates hedge positions.

(2) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.

(3) Assumes crude price of $50/bbl in 2Q-4Q:05. For NO debt refinancing scenario in 2006, assumes no debt refinancing in 2005. For debt refinancing scenario in 2006, assumes debt refinancing in 2005.

(4) Chapter 11 risk: operating with cash burn and cash balance is below threshold cash level.

(5) FRNT is in 2007 March-ending Fiscal Year, base assumption oil at $50/bbl for calender 2006.

Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates

As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,

UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),

and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: NO Debt Refinancing & Bush/Boehner Proposal (7-Yr Amortization)
As of 06/03/05

Cash Flow/Burn 2006E (US$ millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[5]
2006E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$2,713	$1,045	$1,526	$1,633	$252	$1,095	$99	$439	$108	$50
Operating CF (after tax) $40/bbl	$2,336	$914	$1,189	$1,379	$226	$1,058	$73	$407	$72	$39
Operating CF (after tax) $45/bbl	$1,932	$788	$850	$1,124	$200	$1,021	$47	$376	$36	$27
Operating CF (after tax) $50/bbl (Base Case)	$1,528	$666	$512	$870	$174	$985	$21	$344	$0	$16
Operating CF (after tax) $55/bbl	$1,125	$493	$173	$615	$148	$948	($5)	$312	($35)	$4
Operating CF (after tax) $60/bbl	$721	$319	($165)	$361	$122	$911	($30)	$281	($71)	($7)
Operating CF (after tax) $65/bbl	$317	$146	($503)	$106	$96	$874	($54)	$249	($107)	($19)
Cash Obligations										
Net Capex	$210	$175	$530	$228	$188	$426	$30	$138	$59	$35
DB Pension Contributions[2]	$269	$248	$400	$644	NA	NA	NA	$62	NA	NA
Debt Maturities	$1,328	$533	$733	$994	$108	$604	$15	$57	$101	$18
Liquidity										
Estimated Unrestricted Cash Balance at Calendar 4Q:05[3]	$2,705	$1,353	$925	$1,512	$580	$2,462	$291	$872	$199	$149
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,460	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2006E Cash Flow (Burn) Oil @ $35/bbl	$906	$90	($137)	($233)	($44)	$65	$55	$182	($52)	($3)
Cash Flow (Burn) per Day $35/bbl	$2.5	$0.2	($0.4)	($0.6)	($0.1)	$0.2	$0.1	$0.5	($0.1)	($0.0)
2006E End of Year Unrestricted Cash $35/bbl	$3,610	$1,443	$788	$1,279	$535	$2,527	$346	$1,054	$147	$146
Mth of Cash Left with oil at $35/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	21	116	CF Pos.	CF Pos.	CF Pos.	Ch. 11 Risk	338
2006E Cash Flow (Burn) Oil @ $40/bbl	$529	($41)	($474)	($487)	($70)	$29	$29	$150	($88)	($14)
Cash Flow (Burn) per Day $40/bbl	$1.4	($0.1)	($1.3)	($1.3)	($0.2)	$0.1	$0.1	$0.4	($0.2)	($0.0)
2006E End of Year Unrestricted Cash $40/bbl	$3,233	$1,312	$451	$1,024	$509	$2,490	$320	$1,022	$111	$135
Mth of Cash Left with oil at $40/bbl from YE 2005 to threshold[4]	CF Pos.	100	Ch. 11 Risk	10	73	CF Pos.	CF Pos.	CF Pos.	Ch. 11 Risk	63
2006E Cash Flow (Burn) Oil @ $45/bbl	$125	($168)	($813)	($742)	($96)	($8)	$3	$119	($124)	($26)
Cash Flow (Burn) per Day $45/bbl	$0.3	($0.5)	($2.2)	($2.0)	($0.3)	($0.0)	$0.0	$0.3	($0.3)	($0.1)
2006E End of Year Unrestricted Cash $45/bbl	$2,829	$1,186	$111	$770	$483	$2,454	$294	$990	$75	$123
Mth of Cash Left with oil at $45/bbl from YE '05 to threshold[4]	CF Pos.	25	Ch. 11 Risk	7	54	2,524	CF Pos.	CF Pos.	Ch. 11 Risk	35
2006E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	($279)	($290)	($1,151)	($996)	($122)	($45)	($23)	$87	($160)	($37)
Cash Flow (Burn) per Day $50/bbl	($0.8)	($0.8)	($3.2)	($2.7)	($0.3)	($0.1)	($0.1)	$0.2	($0.4)	($0.1)
2006E End of Year Unrestricted Cash $50/bbl	$2,426	$1,064	NM	$515	$457	$2,417	$268	$959	$40	$112
Mth of Cash Left with oil at $50/bbl from YE 2005 to threshold[4]	52	14	Ch. 11 Risk	5	42	458	98	CF Pos.	Ch. 11 Risk	24
2006E Cash Flow (Burn) Oil @ $55/bbl	($683)	($463)	($1,490)	($1,251)	($148)	($82)	($49)	$55	($195)	($49)
Cash Flow (Burn) per Day $55/bbl	($1.9)	($1.3)	($4.1)	($3.4)	($0.4)	($0.2)	($0.1)	$0.2	($0.5)	($0.1)
2006E End of Year Unrestricted Cash $55/bbl	$2,022	$890	NM	$261	$432	$2,380	$242	$927	$4	$100
Mth of Cash Left with oil at $55/bbl from YE 2005 to threshold[4]	21	9	Ch. 11 Risk	4	35	252	47	CF Pos.	Ch. 11 Risk	18
2006E Cash Flow (Burn) Oil @ $60/bbl	($1,087)	($637)	($1,828)	($1,505)	($174)	($118)	($74)	$24	($231)	($60)
Cash Flow (Burn) per Day $60/bbl	($3.0)	($1.7)	($5.0)	($4.1)	($0.5)	($0.3)	($0.2)	$0.1	($0.6)	($0.2)
2006E End of Year Unrestricted Cash $60/bbl	$1,618	$717	NM	$6	$406	$2,343	$217	$895	NM	$89
Mth of Cash Left with oil at $60/bbl from YE 2005 to threshold[4]	13	6	Ch. 11 Risk	3	30	174	31	CF Pos.	Ch. 11 Risk	15
2006E Cash Flow (Burn) Oil @ $65/bbl	($1,491)	($810)	($2,166)	($1,760)	($200)	($155)	($99)	($8)	($267)	($72)
Cash Flow (Burn) per Day $65/bbl	($4.1)	($2.2)	($5.9)	($4.8)	($0.5)	($0.4)	($0.3)	($0.0)	($0.7)	($0.2)
2006E End of Year Unrestricted Cash $65/bbl	$1,214	$543	NM	NM	$380	$2,307	$192	$864	NM	$77
Mth of Cash Left with oil at $65/bbl from YE 2005 to threshold[4]	10	5	Ch. 11 Risk	3	26	132	23	841	Ch. 11 Risk	12

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.
Assumes crude price of $50/bbl in 2006. Incorporates hedge positions.

(2) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.

(3) Assumes crude price of $50/bbl in 2Q-4Q:05. For NO debt refinancing scenario in 2006, assumes no debt refinancing in 2005. For debt refinancing scenario in 2006, assumes debt refinancing in 2005.

(4) Chapter 11 risk: operating with cash burn and cash balance is below threshold cash level.

(5) FRNT is in 2007 March-ending Fiscal Year, base assumption oil at $50/bbl for calender 2006.

Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates

As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,
UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),
and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: NO Debt Refinancing & Pension Plan Freeze / 20-Yr Amortization Proposal
As of 06/03/05

Cash Flow/Burn 2006E (US$ millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[5]
2006E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$2,713	$1,045	$1,526	$1,633	$252	$1,095	$99	$439	$108	$50
Operating CF (after tax) $40/bbl	$2,336	$914	$1,189	$1,379	$226	$1,058	$73	$407	$72	$39
Operating CF (after tax) $45/bbl	$1,932	$788	$850	$1,124	$200	$1,021	$47	$376	$36	$27
Operating CF (after tax) $50/bbl (Base Case)	$1,528	$666	$512	$870	$174	$985	$21	$344	$0	$16
Operating CF (after tax) $55/bbl	$1,125	$493	$173	$615	$148	$948	($5)	$312	($35)	$4
Operating CF (after tax) $60/bbl	$721	$319	($165)	$361	$122	$911	($30)	$281	($71)	($7)
Operating CF (after tax) $65/bbl	$317	$146	($503)	$106	$96	$874	($54)	$249	($107)	($19)
Cash Obligations										
Net Capex	$210	$175	$530	$228	$188	$426	$30	$138	$59	$35
DB Pension Contributions[2]	$30	$31	$150	$112	NA	NA	NA	$1	NA	NA
Debt Maturities	$1,328	$533	$733	$994	$108	$604	$15	$57	$101	$18
Liquidity										
Estimated Unrestricted Cash Balance at Calendar 4Q:05[3]	$2,705	$1,353	$925	$1,512	$580	$2,462	$291	$872	$199	$149
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,460	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2006E Cash Flow (Burn) Oil @ $35/bbl	$1,145	$306	$113	$299	($44)	$65	$55	$243	($52)	($3)
Cash Flow (Burn) per Day $35/bbl	$3.1	$0.8	$0.3	$0.8	($0.1)	$0.2	$0.1	$0.7	($0.1)	($0.0)
2006E End of Year Unrestricted Cash $35/bbl	$3,850	$1,660	$1,038	$1,810	$535	$2,527	$346	$1,115	$147	$146
Mth of Cash Left with oil at $35/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	116	CF Pos.	CF Pos.	CF Pos.	Ch. 11 Risk	338
2006E Cash Flow (Burn) Oil @ $40/bbl	$768	$175	($224)	$44	($70)	$29	$29	$211	($88)	($14)
Cash Flow (Burn) per Day $40/bbl	$2.1	$0.5	($0.6)	$0.1	($0.2)	$0.1	$0.1	$0.6	($0.2)	($0.0)
2006E End of Year Unrestricted Cash $40/bbl	$3,473	$1,529	$701	$1,556	$509	$2,490	$320	$1,083	$111	$135
Mth of Cash Left with oil at $40/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	CF Pos.	73	CF Pos.	CF Pos.	CF Pos.	Ch. 11 Risk	63
2006E Cash Flow (Burn) Oil @ $45/bbl	$364	$49	($563)	($210)	($96)	($8)	$3	$180	($124)	($26)
Cash Flow (Burn) per Day $45/bbl	$1.0	$0.1	($1.5)	($0.6)	($0.3)	($0.0)	$0.0	$0.5	($0.3)	($0.1)
2006E End of Year Unrestricted Cash $45/bbl	$3,069	$1,402	$361	$1,301	$483	$2,454	$294	$1,051	$75	$123
Mth of Cash Left with oil at $45/bbl from YE '05 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	23	54	2,524	CF Pos.	CF Pos.	Ch. 11 Risk	35
2006E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	($40)	($73)	($901)	($465)	($122)	($45)	($23)	$148	($160)	($37)
Cash Flow (Burn) per Day $50/bbl	($0.1)	($0.2)	($2.5)	($1.3)	($0.3)	($0.1)	($0.1)	$0.4	($0.4)	($0.1)
2006E End of Year Unrestricted Cash $50/bbl	$2,665	$1,280	$23	$1,047	$457	$2,417	$268	$1,020	$40	$112
Mth of Cash Left with oil at $50/bbl from YE 2005 to threshold[4]	366	56	Ch. 11 Risk	11	42	458	98	CF Pos.	Ch. 11 Risk	24
2006E Cash Flow (Burn) Oil @ $55/bbl	($443)	($247)	($1,240)	($719)	($148)	($82)	($49)	$116	($195)	($49)
Cash Flow (Burn) per Day $55/bbl	($1.2)	($0.7)	($3.4)	($2.0)	($0.4)	($0.2)	($0.1)	$0.3	($0.5)	($0.1)
2006E End of Year Unrestricted Cash $55/bbl	$2,261	$1,107	NM	$792	$432	$2,380	$242	$988	$4	$100
Mth of Cash Left with oil at $55/bbl from YE 2005 to threshold[4]	33	17	Ch. 11 Risk	7	35	252	47	CF Pos.	Ch. 11 Risk	18
2006E Cash Flow (Burn) Oil @ $60/bbl	($847)	($420)	($1,578)	($974)	($174)	($118)	($74)	$85	($231)	($60)
Cash Flow (Burn) per Day $60/bbl	($2.3)	($1.2)	($4.3)	($2.7)	($0.5)	($0.3)	($0.2)	$0.2	($0.6)	($0.2)
2006E End of Year Unrestricted Cash $60/bbl	$1,857	$933	NM	$538	$406	$2,343	$217	$956	NM	$89
Mth of Cash Left with oil at $60/bbl from YE 2005 to threshold[4]	17	10	Ch. 11 Risk	5	30	174	31	CF Pos.	Ch. 11 Risk	15
2006E Cash Flow (Burn) Oil @ $65/bbl	($1,251)	($594)	($1,916)	($1,228)	($200)	($155)	($99)	$53	($267)	($72)
Cash Flow (Burn) per Day $65/bbl	($3.4)	($1.6)	($5.2)	($3.4)	($0.5)	($0.4)	($0.3)	$0.1	($0.7)	($0.2)
2006E End of Year Unrestricted Cash $65/bbl	$1,453	$760	NM	$283	$380	$2,307	$192	$925	NM	$77
Mth of Cash Left with oil at $65/bbl from YE 2005 to threshold[4]	12	7	Ch. 11 Risk	4	26	132	23	CF Pos.	Ch. 11 Risk	12

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.

Assumes crude price of $50/bbl in 2006. Incorporates hedge positions.

(2) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.

(3) Assumes crude price of $50/bbl in 2Q-4Q:05. For NO debt refinancing scenario in 2006, assumes no debt refinancing in 2005. For debt refinancing scenario in 2006, assumes debt refinancing in 2005.

(4) Chapter 11 risk: operating with cash burn and cash balance is below threshold cash level.

(5) FRNT is in 2007 March-ending Fiscal Year, base assumption oil at $50/bbl for calender 2006.

Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates

As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,

UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),

and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: With Debt Refinancing of 80% of Maturing Amount
As of 06/03/05

Cash Flow/Burn for 2Q-4Q:2005E (US$ mn)	AMR [2]	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT [3]
2Q-4Q:2005E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$1,766	$693	$862	$745	$140	$775	$37	$330	$155	$36
Operating CF (after tax) $40/bbl	$1,476	$566	$616	$562	$126	$763	$22	$306	$113	$28
Operating CF (after tax) $45/bbl	$1,186	$439	$371	$378	$113	$751	$9	$283	$71	$21
Operating CF (after tax) $50/bbl (Base Case)	$896	$312	$125	$194	$100	$740	($1)	$259	$29	$13
Operating CF (after tax) $55/bbl	$606	$186	($121)	$10	$86	$728	($10)	$236	($13)	$6
Operating CF (after tax) $60/bbl	$316	$59	($367)	($173)	$73	$716	($20)	$212	($55)	($0)
Operating CF (after tax) $65/bbl	$26	($68)	($613)	($357)	$60	$704	($29)	$189	($97)	($6)
Cash Obligations										
Net Capex	$361	$169	$420	$150	$56	$148	$61	$68	$30	$26
DB Pension Contributions [4]	$172	$136	$95	$336	NA	NA	NA	$39	NA	NA
Cash From Financings	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Debt Maturities	$135	$113	$100	$66	$16	$8	$2	$9	$13	$3
Liquidity										
Unrestricted Cash Balance at Calendar 1Q:05	$3,017	$1,380	$1,815	$2,132	$616	$1,908	$364	$764	$254	$175
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,458	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2Q-4Q:2005E Cash Flow (Burn) Oil @ $35/bbl	$1,097	$276	$247	$194	$68	$619	($26)	$215	$112	$7
Cash Flow (Burn) per Day $35/bbl	$4.0	$1.0	$0.9	$0.7	$0.2	$2.3	($0.1)	$0.8	$0.4	$0.0
2005E End of Year Unrestricted Cash $35/bbl	$4,114	$1,656	$2,062	$2,326	$683	$2,527	$339	$978	$365	$182
Mth of Cash Left with oil at $35/bbl from 1Q:05 end to threshold [5]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	9+	CF Pos.	CF Pos.	CF Pos.
2Q-4Q:2005E Cash Flow (Burn) Oil @ $40/bbl	$807	$149	$1	$10	$54	$608	($41)	$191	$70	($0)
Cash Flow (Burn) per Day $40/bbl	$2.2	$0.4	$0.0	$0.0	$0.1	$1.7	($0.1)	$0.5	$0.2	($0.0)
2005E End of Year Unrestricted Cash $40/bbl	$3,824	$1,529	$1,816	$2,142	$670	$2,516	$323	$955	$323	$174
Mth of Cash Left with oil at $40/bbl from 1Q:05 end to threshold [5]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	9+	CF Pos.	CF Pos.	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $45/bbl	$518	$22	($244)	($174)	$41	$596	($54)	$168	$28	($8)
Cash Flow (Burn) per Day $45/bbl	$1.4	$0.1	($0.7)	($0.5)	$0.1	$1.6	($0.1)	$0.5	$0.1	($0.0)
2005E End of Year Unrestricted Cash $45/bbl	$3,535	$1,402	$1,571	$1,958	$657	$2,504	$310	$931	$281	$167
Mth of Cash Left with oil at $45/bbl from 1Q:05 end to threshold [5]	CF Pos.	CF Pos.	9+	9+	CF Pos.	CF Pos.	9+	CF Pos.	CF Pos.	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	$228	($105)	($490)	($357)	$28	$584	($64)	$144	($14)	($15)
Cash Flow (Burn) per Day $50/bbl	$0.6	($0.3)	($1.3)	($1.0)	$0.1	$1.6	($0.2)	$0.4	($0.0)	($0.0)
2005E End of Year Unrestricted Cash $50/bbl	$3,245	$1,275	$1,325	$1,775	$643	$2,492	$300	$908	$239	$159
Mth of Cash Left with oil at $50/bbl from 1Q:05 end to threshold [5]	CF Pos.	9+	6	9+	CF Pos.	CF Pos.	9+	CF Pos.	9+	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $55/bbl	($62)	($232)	($736)	($541)	$14	$572	($73)	$121	($56)	($22)
Cash Flow (Burn) per Day $55/bbl	($0.2)	($0.6)	($2.0)	($1.5)	$0.0	$1.6	($0.2)	$0.3	($0.2)	($0.1)
2005E End of Year Unrestricted Cash $55/bbl	$2,955	$1,148	$1,079	$1,591	$630	$2,480	$291	$884	$197	$152
Mth of Cash Left with oil at $55/bbl from 1Q:05 end to threshold [5]	9+	9+	4	9+	CF Pos.	CF Pos.	9+	CF Pos.	9	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $60/bbl	($352)	($359)	($982)	($725)	$1	$561	($83)	$97	($99)	($29)
Cash Flow (Burn) per Day $60/bbl	($1.0)	($1.0)	($2.7)	($2.0)	$0.0	$1.5	($0.2)	$0.3	($0.3)	($0.1)
2005E End of Year Unrestricted Cash $60/bbl	$2,665	$1,021	$833	$1,407	$616	$2,469	$282	$861	$155	$146
Mth of Cash Left with oil at $60/bbl from 1Q:05 end to threshold [5]	9+	9+	3	9+	CF Pos.	CF Pos.	9+	CF Pos.	5	9+
2Q-4Q:2005E Cash Flow (Burn) Oil @ $65/bbl	($642)	($486)	($1,228)	($909)	($13)	$549	($92)	$73	($141)	($35)
Cash Flow (Burn) per Day $65/bbl	($1.8)	($1.3)	($3.4)	($2.5)	($0.0)	$1.5	($0.3)	$0.2	($0.4)	($0.1)
2005E End of Year Unrestricted Cash $65/bbl	$2,375	$894	$587	$1,223	$603	$2,457	$272	$837	$113	$140
Mth of Cash Left with oil at $65/bbl from 1Q:05 end to threshold [5]	9+	7	2	9+	9+	CF Pos.	9+	CF Pos.	3	9+

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.
Assumes crude price of $50/bbl in 2Q-4Q:05. Incorporates hedge positions.
(2) Assumes AMR has to repurchase $104mn facilities bond due in 4Q:05.
(3) Cash burn analysis is for nine-month ended Dec 2005 (base assumption oil at $50/bbl).
(4) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.
(5) Where months of cash left exceed 9 months, please see 2006.
Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates
As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,
UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),
and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: With Debt Refinancing of 80% of Maturing Amount & PFEA Expiration (5-Yr Amortization)
As of 06/03/05

Cash Flow/Burn 2006E (US$ millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[5]
2006E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$2,713	$1,045	$1,526	$1,633	$252	$1,095	$99	$439	$108	$50
Operating CF (after tax) $40/bbl	$2,336	$914	$1,189	$1,379	$226	$1,058	$73	$407	$72	$39
Operating CF (after tax) $45/bbl	$1,932	$788	$850	$1,124	$200	$1,021	$47	$376	$36	$27
Operating CF (after tax) $50/bbl (Base Case)	$1,528	$666	$512	$870	$174	$985	$21	$344	$0	$16
Operating CF (after tax) $55/bbl	$1,125	$493	$173	$615	$148	$948	($5)	$312	($35)	$4
Operating CF (after tax) $60/bbl	$721	$319	($165)	$361	$122	$911	($30)	$281	($71)	($7)
Operating CF (after tax) $65/bbl	$317	$146	($503)	$106	$96	$874	($54)	$249	($107)	($19)
Cash Obligations										
Net Capex	$210	$175	$530	$228	$188	$426	$30	$138	$59	$35
DB Pension Contributions[2]	$345	$330	$700	$930	NA	NA	NA	$66	NA	NA
Debt Maturities	$266	$107	$147	$199	$22	$121	$3	$11	$20	$4
Liquidity										
Estimated Unrestricted Cash Balance at Calendar 4Q:05[3]	$3,245	$1,275	$1,325	$1,775	$643	$2,492	$300	$908	$239	$159
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,460	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2006E Cash Flow (Burn) Oil @ $35/bbl	$1,893	$434	$150	$276	$42	$549	$66	$224	$28	$12
Cash Flow (Burn) per Day $35/bbl	$5.2	$1.2	$0.4	$0.8	$0.1	$1.5	$0.2	$0.6	$0.1	$0.0
2006E End of Year Unrestricted Cash $35/bbl	$5,137	$1,709	$1,474	$2,051	$685	$3,041	$367	$1,132	$268	$171
Mth of Cash Left with oil at $35/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.
2006E Cash Flow (Burn) Oil @ $40/bbl	$1,516	$303	($187)	$22	$16	$512	$40	$193	($7)	$0
Cash Flow (Burn) per Day $40/bbl	$4.2	$0.8	($0.5)	$0.1	$0.0	$1.4	$0.1	$0.5	($0.0)	$0.0
2006E End of Year Unrestricted Cash $40/bbl	$4,760	$1,578	$1,137	$1,796	$659	$3,004	$341	$1,100	$232	$160
Mth of Cash Left with oil at $40/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	65	CF Pos.
2006E Cash Flow (Burn) Oil @ $45/bbl	$1,112	$177	($527)	($233)	($10)	$475	$14	$161	($43)	($11)
Cash Flow (Burn) per Day $45/bbl	$3.0	$0.5	($1.4)	($0.6)	($0.0)	$1.3	$0.0	$0.4	($0.1)	($0.0)
2006E End of Year Unrestricted Cash $45/bbl	$4,356	$1,451	$798	$1,542	$633	$2,967	$315	$1,069	$196	$148
Mth of Cash Left with oil at $45/bbl from YE '05 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	35	600	CF Pos.	CF Pos.	CF Pos.	11	89
2006E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	$708	$55	($865)	($487)	($36)	$438	($12)	$129	($79)	($23)
Cash Flow (Burn) per Day $50/bbl	$1.9	$0.1	($2.4)	($1.3)	($0.1)	$1.2	($0.0)	$0.4	($0.2)	($0.1)
2006E End of Year Unrestricted Cash $50/bbl	$3,952	$1,329	$460	$1,287	$607	$2,930	$289	$1,037	$161	$136
Mth of Cash Left with oil at $50/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	17	166	CF Pos.	209	CF Pos.	6	44
2006E Cash Flow (Burn) Oil @ $55/bbl	$304	($119)	($1,203)	($742)	($62)	$402	($37)	$98	($114)	($34)
Cash Flow (Burn) per Day $55/bbl	$0.8	($0.3)	($3.3)	($2.0)	($0.2)	$1.1	($0.1)	$0.3	($0.3)	($0.1)
2006E End of Year Unrestricted Cash $55/bbl	$3,549	$1,156	$121	$1,033	$582	$2,894	$263	$1,005	$125	$125
Mth of Cash Left with oil at $55/bbl from YE 2005 to threshold[4]	CF Pos.	27	Ch. 11 Risk	11	96	CF Pos.	64	CF Pos.	4	29
2006E Cash Flow (Burn) Oil @ $60/bbl	($100)	($292)	($1,541)	($996)	($88)	$365	($63)	$66	($150)	($46)
Cash Flow (Burn) per Day $60/bbl	($0.3)	($0.8)	($4.2)	($2.7)	($0.2)	$1.0	($0.2)	$0.2	($0.4)	($0.1)
2006E End of Year Unrestricted Cash $60/bbl	$3,145	$982	NM	$778	$556	$2,857	$238	$974	$89	$113
Mth of Cash Left with oil at $60/bbl from YE 2005 to threshold[4]	210	11	Ch. 11 Risk	8	68	CF Pos.	38	CF Pos.	3	22
2006E Cash Flow (Burn) Oil @ $65/bbl	($504)	($466)	($1,879)	($1,251)	($113)	$328	($87)	$34	($186)	($58)
Cash Flow (Burn) per Day $65/bbl	($1.4)	($1.3)	($5.1)	($3.4)	($0.3)	$0.9	($0.2)	$0.1	($0.5)	($0.2)
2006E End of Year Unrestricted Cash $65/bbl	$2,741	$809	NM	$524	$530	$2,820	$213	$942	$53	$102
Mth of Cash Left with oil at $65/bbl from YE 2005 to threshold[4]	42	7	Ch. 11 Risk	6	52	CF Pos.	28	CF Pos.	3	18

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.

Assumes crude price of $50/bbl in 2006. Incorporates hedge positions.

(2) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.

(3) Assumes crude price of $50/bbl in 2Q-4Q:05. For NO debt refinancing scenario in 2006, assumes no debt refinancing in 2005. For debt refinancing scenario in 2006, assumes debt refinancing in 2005.

(4) Chapter 11 risk: operating with cash burn and cash balance is below threshold cash level.

(5) FRNT is in 2007 March-ending Fiscal Year, base assumption oil at $50/bbl for calender 2006.

Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates

As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,

UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),

and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: With Debt Refinancing of 80% of Maturing Amount & Bush/Boehner Proposal (7-Yr Amortization)
As of 06/03/05

Cash Flow/Burn 2006E (US$ millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[5]
2006E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$2,713	$1,045	$1,526	$1,633	$252	$1,095	$99	$439	$108	$50
Operating CF (after tax) $40/bbl	$2,336	$914	$1,189	$1,379	$226	$1,058	$73	$407	$72	$39
Operating CF (after tax) $45/bbl	$1,932	$788	$850	$1,124	$200	$1,021	$47	$376	$36	$27
Operating CF (after tax) $50/bbl (Base Case)	$1,528	$666	$512	$870	$174	$985	$21	$344	$0	$16
Operating CF (after tax) $55/bbl	$1,125	$493	$173	$615	$148	$948	($5)	$312	($35)	$4
Operating CF (after tax) $60/bbl	$721	$319	($165)	$361	$122	$911	($30)	$281	($71)	($7)
Operating CF (after tax) $65/bbl	$317	$146	($503)	$106	$96	$874	($54)	$249	($107)	($19)
Cash Obligations										
Net Capex	$210	$175	$530	$228	$188	$426	$30	$138	$59	$35
DB Pension Contributions[2]	$269	$248	$400	$644	NA	NA	NA	$62	NA	NA
Debt Maturities	$266	$107	$147	$199	$22	$121	$3	$11	$20	$4
Liquidity										
Estimated Unrestricted Cash Balance at Calendar 4Q:05[3]	$3,245	$1,275	$1,325	$1,775	$643	$2,492	$300	$908	$239	$159
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,460	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2006E Cash Flow (Burn) Oil @ $35/bbl	$1,968	$516	$450	$562	$42	$549	$66	$228	$28	$12
Cash Flow (Burn) per Day $35/bbl	$5.4	$1.4	$1.2	$1.5	$0.1	$1.5	$0.2	$0.6	$0.1	$0.0
2006E End of Year Unrestricted Cash $35/bbl	$5,213	$1,791	$1,774	$2,337	$685	$3,041	$367	$1,135	$268	$171
Mth of Cash Left with oil at $35/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.
2006E Cash Flow (Burn) Oil @ $40/bbl	$1,591	$385	$113	$308	$16	$512	$40	$196	($7)	$0
Cash Flow (Burn) per Day $40/bbl	$4.4	$1.1	$0.3	$0.8	$0.0	$1.4	$0.1	$0.5	($0.0)	$0.0
2006E End of Year Unrestricted Cash $40/bbl	$4,836	$1,660	$1,437	$2,082	$659	$3,004	$341	$1,103	$232	$160
Mth of Cash Left with oil at $40/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	65	CF Pos.
2006E Cash Flow (Burn) Oil @ $45/bbl	$1,187	$259	($227)	$53	($10)	$475	$14	$164	($43)	($11)
Cash Flow (Burn) per Day $45/bbl	$3.3	$0.7	($0.6)	$0.1	($0.0)	$1.3	$0.0	$0.4	($0.1)	($0.0)
2006E End of Year Unrestricted Cash $45/bbl	$4,432	$1,534	$1,098	$1,828	$633	$2,967	$315	$1,072	$196	$148
Mth of Cash Left with oil at $45/bbl from YE '05 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	CF Pos.	600	CF Pos.	CF Pos.	CF Pos.	11	89
2006E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	$783	$137	($565)	($201)	($36)	$438	($12)	$133	($79)	($23)
Cash Flow (Burn) per Day $50/bbl	$2.1	$0.4	($1.5)	($0.6)	($0.1)	$1.2	($0.0)	$0.4	($0.2)	($0.1)
2006E End of Year Unrestricted Cash $50/bbl	$4,028	$1,412	$760	$1,573	$607	$2,930	$289	$1,040	$161	$136
Mth of Cash Left with oil at $50/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	40	166	CF Pos.	209	CF Pos.	6	44
2006E Cash Flow (Burn) Oil @ $55/bbl	$380	($37)	($903)	($456)	($62)	$402	($37)	$101	($114)	($34)
Cash Flow (Burn) per Day $55/bbl	$1.0	($0.1)	($2.5)	($1.2)	($0.2)	$1.1	($0.1)	$0.3	($0.3)	($0.1)
2006E End of Year Unrestricted Cash $55/bbl	$3,624	$1,238	$421	$1,319	$582	$2,894	$263	$1,008	$125	$125
Mth of Cash Left with oil at $55/bbl from YE 2005 to threshold[4]	CF Pos.	87	Ch. 11 Risk	18	96	CF Pos.	64	CF Pos.	4	29
2006E Cash Flow (Burn) Oil @ $60/bbl	($24)	($210)	($1,241)	($710)	($88)	$365	($63)	$69	($150)	($46)
Cash Flow (Burn) per Day $60/bbl	($0.1)	($0.6)	($3.4)	($1.9)	($0.2)	$1.0	($0.2)	$0.2	($0.4)	($0.1)
2006E End of Year Unrestricted Cash $60/bbl	$3,220	$1,065	$83	$1,064	$556	$2,857	$238	$977	$89	$113
Mth of Cash Left with oil at $60/bbl from YE 2005 to threshold[4]	860	15	Ch. 11 Risk	11	68	CF Pos.	38	CF Pos.	3	22
2006E Cash Flow (Burn) Oil @ $65/bbl	($428)	($384)	($1,579)	($965)	($113)	$328	($87)	$38	($186)	($58)
Cash Flow (Burn) per Day $65/bbl	($1.2)	($1.1)	($4.3)	($2.6)	($0.3)	$0.9	($0.2)	$0.1	($0.5)	($0.2)
2006E End of Year Unrestricted Cash $65/bbl	$2,816	$891	NM	$810	$530	$2,820	$213	$945	$53	$102
Mth of Cash Left with oil at $65/bbl from YE 2005 to threshold[4]	49	8	Ch. 11 Risk	8	52	CF Pos.	28	CF Pos.	3	18

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.

Assumes crude price of $50/bbl in 2006. Incorporates hedge positions.

(2) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.

(3) Assumes crude price of $50/bbl in 2Q-4Q:05. For NO debt refinancing scenario in 2006, assumes no debt refinancing in 2005. For debt refinancing scenario in 2006, assumes debt refinancing in 2005.

(4) Chapter 11 risk: operating with cash burn and cash balance is below threshold cash level.

(5) FRNT is in 2007 March-ending Fiscal Year, base assumption oil at $50/bbl for calender 2006.

Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates

As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,

UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),

and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

Scenario: With Debt Refinancing of 80% of Maturing Amount & Pension Plan Freeze / 20-Yr Amortization Proposal
As of 06/03/05

Cash Flow/Burn 2006E (US$ millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT[5]
2006E Operating Cash Flow [1]										
Operating CF (after tax) $35/bbl	$2,713	$1,045	$1,526	$1,633	$252	$1,095	$99	$439	$108	$50
Operating CF (after tax) $40/bbl	$2,336	$914	$1,189	$1,379	$226	$1,058	$73	$407	$72	$39
Operating CF (after tax) $45/bbl	$1,932	$788	$850	$1,124	$200	$1,021	$47	$376	$36	$27
Operating CF (after tax) $50/bbl (Base Case)	$1,528	$666	$512	$870	$174	$985	$21	$344	$0	$16
Operating CF (after tax) $55/bbl	$1,125	$493	$173	$615	$148	$948	($5)	$312	($35)	$4
Operating CF (after tax) $60/bbl	$721	$319	($165)	$361	$122	$911	($30)	$281	($71)	($7)
Operating CF (after tax) $65/bbl	$317	$146	($503)	$106	$96	$874	($54)	$249	($107)	($19)
Cash Obligations										
Net Capex	$210	$175	$530	$228	$188	$426	$30	$138	$59	$35
DB Pension Contributions[2]	$30	$31	$150	$112	NA	NA	NA	$1	NA	NA
Debt Maturities	$266	$107	$147	$199	$22	$121	$3	$11	$20	$4
Liquidity										
Estimated Unrestricted Cash Balance at Calendar 4Q:05[3]	$3,245	$1,275	$1,325	$1,775	$643	$2,492	$300	$908	$239	$159
Unrestricted Cash Balance at Calendar 4Q:04	$2,929	$1,460	$1,799	$2,459	$449	$1,305	$334	$874	$306	$149
2006E Cash Flow (Burn) Oil @ $35/bbl	$2,208	$733	$700	$1,094	$42	$549	$66	$289	$28	$12
Cash Flow (Burn) per Day $35/bbl	$6.0	$2.0	$1.9	$3.0	$0.1	$1.5	$0.2	$0.8	$0.1	$0.0
2006E End of Year Unrestricted Cash $35/bbl	$5,452	$2,008	$2,024	$2,868	$685	$3,041	$367	$1,196	$268	$171
Mth of Cash Left with oil at $35/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.
2006E Cash Flow (Burn) Oil @ $40/bbl	$1,831	$602	$363	$839	$16	$512	$40	$257	($7)	$0
Cash Flow (Burn) per Day $40/bbl	$5.0	$1.6	$1.0	$2.3	$0.0	$1.4	$0.1	$0.7	($0.0)	$0.0
2006E End of Year Unrestricted Cash $40/bbl	$5,075	$1,876	$1,687	$2,614	$659	$3,004	$341	$1,165	$232	$160
Mth of Cash Left with oil at $40/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	CF Pos.	65	CF Pos.
2006E Cash Flow (Burn) Oil @ $45/bbl	$1,427	$475	$23	$585	($10)	$475	$14	$225	($43)	($11)
Cash Flow (Burn) per Day $45/bbl	$3.9	$1.3	$0.1	$1.6	($0.0)	$1.3	$0.0	$0.6	($0.1)	($0.0)
2006E End of Year Unrestricted Cash $45/bbl	$4,671	$1,750	$1,348	$2,359	$633	$2,967	$315	$1,133	$196	$148
Mth of Cash Left with oil at $45/bbl from YE '05 to threshold[4]	CF Pos.	CF Pos.	CF Pos.	CF Pos.	600	CF Pos.	CF Pos.	CF Pos.	11	89
2006E Cash Flow (Burn) Oil @ $50/bbl (Base Case)	$1,023	$353	($315)	$330	($36)	$438	($12)	$194	($79)	($23)
Cash Flow (Burn) per Day $50/bbl	$2.8	$1.0	($0.9)	$0.9	($0.1)	$1.2	($0.0)	$0.5	($0.2)	($0.1)
2006E End of Year Unrestricted Cash $50/bbl	$4,267	$1,628	$1,010	$2,105	$607	$2,930	$289	$1,101	$161	$136
Mth of Cash Left with oil at $50/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	CF Pos.	166	CF Pos.	209	CF Pos.	6	44
2006E Cash Flow (Burn) Oil @ $55/bbl	$619	$180	($653)	$76	($62)	$402	($37)	$162	($114)	($34)
Cash Flow (Burn) per Day $55/bbl	$1.7	$0.5	($1.8)	$0.2	($0.2)	$1.1	($0.1)	$0.4	($0.3)	($0.1)
2006E End of Year Unrestricted Cash $55/bbl	$3,864	$1,455	$671	$1,850	$582	$2,894	$263	$1,069	$125	$125
Mth of Cash Left with oil at $55/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	CF Pos.	96	CF Pos.	64	CF Pos.	4	29
2006E Cash Flow (Burn) Oil @ $60/bbl	$215	$6	($991)	($179)	($88)	$365	($63)	$130	($150)	($46)
Cash Flow (Burn) per Day $60/bbl	$0.6	$0.0	($2.7)	($0.5)	($0.2)	$1.0	($0.2)	$0.4	($0.4)	($0.1)
2006E End of Year Unrestricted Cash $60/bbl	$3,460	$1,281	$333	$1,596	$556	$2,857	$238	$1,038	$89	$113
Mth of Cash Left with oil at $60/bbl from YE 2005 to threshold[4]	CF Pos.	CF Pos.	Ch. 11 Risk	45	68	CF Pos.	38	CF Pos.	3	22
2006E Cash Flow (Burn) Oil @ $65/bbl	($189)	($167)	($1,329)	($433)	($113)	$328	($87)	$99	($186)	($58)
Cash Flow (Burn) per Day $65/bbl	($0.5)	($0.5)	($3.6)	($1.2)	($0.3)	$0.9	($0.2)	$0.3	($0.5)	($0.2)
2006E End of Year Unrestricted Cash $65/bbl	$3,056	$1,108	NM	$1,341	$530	$2,820	$213	$1,006	$53	$102
Mth of Cash Left with oil at $65/bbl from YE 2005 to threshold[4]	111	19	Ch. 11 Risk	19	52	CF Pos.	28	CF Pos.	3	18

(1) Operating Cash Flow = Net Income + D&A+ pension expense; assumes no impact from change in net working capital.
Assumes crude price of $50/bbl in 2006. Incorporates hedge positions.
(2) Assumes no additional non-cash (stock of subsidiary) contribution to DB pension plans.
(3) Assumes crude price of $50/bbl in 2Q-4Q:05. For NO debt refinancing scenario in 2006, assumes no debt refinancing in 2005. For debt refinancing scenario in 2006, assumes debt refinancing in 2005.
(4) Chapter 11 risk: operating with cash burn and cash balance is below threshold cash level.
(5) FRNT is in 2007 March-ending Fiscal Year, base assumption oil at $50/bbl for calender 2006.
Source: Bear Stearns & Co., and company reports.

(US$ in millions)	AMR	CAL	DAL	NWAC	JBLU	LUV	AAI	ALK	AWA	FRNT
Estimated Unrestricted Cash Concern Level	$1,500	$1,000	$1,500	$1,100	$150	$750	$100	$300	$200	$75

Source: Bear Stearns' estimates
As points of reference, we note that AMR achieved its last-minute deal with labor last April with $1.2 billion (7% of LTM sales) in unrestricted cash and equivalents,
UAL filed for Chapter 11 on 12/9/02 with $1.3 billion (9% of LTM sales) in unrestricted cash and equivalents (YE 2002),
and US Air entered Chapter 11 on 8/11/02 with close to $900mn in cash (3Q:02 balance was $900mn) (13% of LTM sales).

IMPORTANT DISCLOSURES

Frontier Airlines[FRNT], JetBlue Airways Corp.[JBLU], Northwest Airlines Corp.[NWAC]: Bear, Stearns & Co. Inc. is a market maker in this company's equity securities.

For important disclosure information regarding the companies in this report, please contact your registered representative at 1-888-473-3819, or write to Sandra Pallante, Equity Research Compliance, Bear, Stearns & Co. Inc., 383 Madison Avenue, New York, NY 10179.